

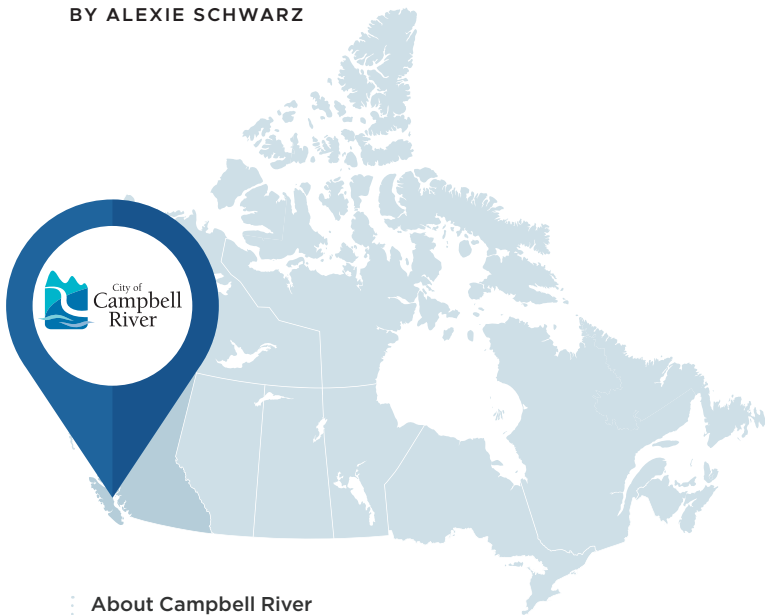


EXCEPTIONALLY WELL-IMPLEMENTED BEST PRACTICES:  
ADOPTING FINANCIAL POLICIES AND LONG-TERM  
FINANCIAL PLANNING

# City of Campbell River

## *Financial Stability and Resiliency Policy*

BY ALEXIE SCHWARZ



### About Campbell River

The City of Campbell River, British Columbia, sits on the east coast of Vancouver Island at the south end of Discovery Passage, which lies along the important Inside Passage shipping route. Campbell River has a population of 35,138 and is known as the Salmon Capital of the World.

Looking at the results of a 2015 survey, the City of Campbell River, British Columbia, council saw a need to move past the city's previous financial challenges. Campbell River is primarily a forestry community, so losing a significant taxpayer when the local pulp and paper mill closed down had a significant impact on the city's revenues. Alaina Maher, Campbell River's deputy chief financial officer, noted that the city's reserves had begun to dwindle, and there weren't many contributions to pump them up. Volatile tax rates then became a problem, ranging from 1.7 to 13.6 percent from 2010 to 2015. (See Exhibit 1.)

The instability of those rates made it difficult for the city to plan for the future or to fund community needs. To promote responsible fiscal management, the city introduced its Financial Stability and Resiliency program and formalized it into policy in 2019. "City Council was very focused on keeping taxes low and stable, and to meet this goal we had to develop a strategy that could accomplish this as well as be able to meet the needs of our own community, which has been growing significantly," Maher said.

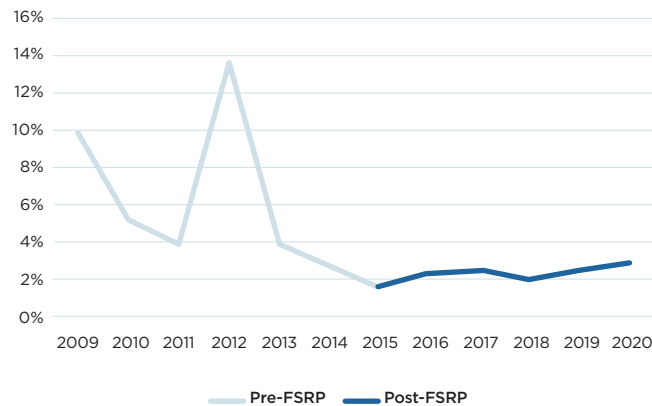
The overall policy has two objectives:

1. Develop guiding principles so that residents can look forward to predictable and stable tax rate increases.
2. Support and guide decision-making, continuity, and assurance in the city's financial management.

### HOW IT WORKS

To maintain stability, Campbell River instituted parameters ensuring that annual tax increases don't exceed two to 3.5 percent. (See Exhibit 2.) These relatively small rate increases are maintained through several sub-policies that encourage responsible budgeting, including a stipulation that the city will not produce a budget with a horizon of less than 10 years—ensuring forward-thinking and long-term planning. Maher sees this aspect of the policy as essential.

**EXHIBIT 1: ANNUAL TAX INCREASES FROM 2009 TO 2019**



Also included are parameters for each budget component that aim to maintain service levels, provide opportunities to enhance services, and encourage investment in critical infrastructure. For example, the policy indicates that one-time operating projects will be funded by reserves in order to stabilize and smooth out tax increases.

The policy prioritizes continued investment in critical infrastructure because of its role in ensuring that service levels are maintained. The capital budget parameter—an annual 0.5 to 1 percent tax increase—will be invested in the city’s capital program. Rather than allowing the condition of the city’s aging infrastructure to worsen, the policy has allowed the city to increase taxes a little more each year so it can accumulate funds that can be invested back into critical asset management. Similar policies cover non-market changes, operating budget increases, and the city’s waterfall system for reserve balances.

The city is now able to strategically plan for stable tax increases and base service levels on those changes. Its Financial Stability and Resiliency program provides more certainty about the city’s ability to maintain services, fund ongoing cost increases, and plan for service enhancements. The program has also helped make the city more resilient in dealing with the past few months of uncertainty relating to COVID-19. “We’ve really seen the effectiveness of this in action throughout the current public health crisis,” Maher said. “We have solid financial foundations that help to mitigate fairly significant revenue losses.”

### THE POLICY JOURNEY

The program creates a framework that prioritizes affordability and continuous improvement. Maher emphasizes the necessity of long-term thinking when crafting financial policies like Campbell River’s. “Small tax increases can be restrictive, so there has to be a focus on stability in the long-term,” she said. While the

**EXHIBIT 2: PARAMETERS FOR TAX INCREASES**

Budget Component	Low (%)	High (%)
Base Budget	1.5	2.0
Capital Budget	0.5	1.0
Ongoing New Services	0.0	0.5
<b>All Services</b>	<b>2.0%</b>	<b>3.5%</b>
<b>Total Utility Fee Increase</b> (includes sewer, water, solid waste and storm water parcel tax)	<b>3.5%</b>	<b>5.0%</b>

parameters may feel restrictive, Maher notes that council and city staff all agreed to an overall goal. “Having to work within that structure and make tough decisions is difficult in the short-term but pays dividends in the long term.”

Even though the financial policies at the city have a horizon of ten years, they are always open to addition and refinement. “It is definitely a journey,” Maher said. “Continuous improvement is important here at Campbell River.” In the coming years, Campbell River hopes to emphasize community outreach in order to educate residents about the city’s financial policies.

### GFOA BEST PRACTICES

Campbell River primarily made use of two GFOA Best Practices in creating its Financial Stability and Resiliency program: *Adopting Financial Policies* and *Long-Term Financial Planning*.

In *Adopting Financial Policies*, GFOA recommends that governments should formally adopt financial policies. Steps to consider when making effective financial policies include (1) scope, (2) development, (3) design, (4) presentation, and (5) review.

In *Long-Term Financial Planning*, GFOA recommends that all governments regularly engage in long-term financial planning that encompasses the following elements and essential steps. A long-term financial plan should include these elements: time horizon, scope, frequency, content, and visibility. A long-term financial plan should include a mobilization phase, including alignment of resources, preliminary analysis, identification of service policies and priorities, validation and promulgation of financial policies, and definition of purpose and scope of planning; and an analysis phase.

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